

**DRAFT****MINUTES OF THE REGULAR MEETING OF THE COSTA MESA CHARTER COMMITTEE****December 11, 2013****1. CALL TO ORDER**

The meeting was called to order at 6:00 p.m. in the Emergency Operations Center, at Costa Mesa City Hall, 77 Fair Drive, Costa Mesa, California.

PRESENT: FACILITATORS: Dr. Kirk Bauermeister, Dr. Mike Decker  
CHARTER COMMITTEE MEMBERS: Ron Amburgey, Brett Eckles, William Fancher, Thomas Graham, Gene Hutchins, Mary Ann O'Connell, Henry Panian, Tom Pollitt, Lee Ramos, Andrew Smith, Kevin Tobin, Harold Weitzberg  
LEGAL COUNSEL: Yolanda Summerhill

ABSENT: Kimberly Hall-Barlow and Kerry McCarthy

**2. PLEDGE OF ALLEGIANCE - Dr. Bauermeister****3. MOMENT OF SILENCE – Dr. Bauermeister****4. WELCOME - Dr. Bauermeister****5. PUBLIC COMMENTS**

Geoff West thanked the Committee Members and wished the Committee a Merry Christmas.

**6. REVIEW OF MINUTES**

**MOTION/SECOND:** Committee Member Weitzberg/Committee Member Graham.

The minutes of the November 13, 2013 Charter Meeting were approved.

**7. MEETING SUMMARY**

Dr. Bauermeister gave an overview of the items that the Committee would be addressing throughout the meeting.

**8. CHARTER ISSUE****FINANCIAL: PROPERTY TAX INEQUITY**

Committee Member Panian spoke on his proposal to address the property tax inequity including the possibility of mitigating the effects of Proposition 13; and spoke on the six responses that were received from the public.

Dr. Decker introduced Interim Finance Director Steve Dunivent to the Charter Committee Members.

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Mr. Dunivent stated the following:

- The City of Costa Mesa operations depend on two revenue sources; sales tax and property tax. These two sources make up 70% of the City's funding.
- The impact of removing property tax revenues would increase the City's financial risk and vulnerability to economic downturns because the City would be more reliant on sales tax.

Legal Counsel Summerhill clarified that this proposal would only remove the City's portion on a property tax; it would not eliminate property tax all together.

Committee Member Panian stated that the \$22 million would phase out over 20 years; it would not be an immediate withdrawal. He inquired what the consequences of the phase out would be.

Finance Director Dunivent responded that if sales tax did not increase the City would be left with a sizeable reduction in revenues.

Committee Member Panian inquired on other tax sources that could create more revenues.

Finance Director Dunivent responded that it would be very difficult for the City to make up the difference.

Legal Counsel Summerhill stated that any tax increases would need to be approved by the voters.

Committee Member Comments regarding property tax inequity:

- Relying heavily on the sales tax is not good; the City needs to diversify income sources.
- The Committee would need more information before a decision could be made on property tax inequity.
- A brilliant idea that could possibly save people money.
- Would like to see the numbers on how many houses are passed on to the relatives.
- The City has an unfunded pension liability that needs to be paid first, and taking away the property tax revenues would be a detriment for the budget.
- If the City lost the property tax income what would replace the lost funds?

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**Poll:** (1 Support, 5 Oppose, 6 Need more information) Whether Committee Members support, oppose, or need more information on property tax inequity.

Support: Committee Member Pollitt

Oppose: Committee Members: Hutchins, Smith, Tobin, Weitzberg, and O'Connell

More Information: Committee Members: Eckles, Graham, Panian, Amburgey, Fancher, and Ramos.

Absent: Committee Member McCarthy.

Committee Members to be provided more documentation and the issue to be discussed at the January 8, 2014 meeting.

**FINANCIAL: BUDGET RESERVES**

Finance Director Dunivent spoke regarding budget reserves and stated:

- A goal for the fiscal year 2014 – 2015 budget is to have 1% of general fund revenues dedicated to rebuilding City reserves; and to allocate 5% – 7.5% of general fund revenues to capital improvement projects.
- The City will be analyzing the concept of reserves to deal with economic downturns, natural disasters, and catastrophic infrastructure failures.
- The City will also be analyzing what is needed in case of an unexpected disaster, a target for what is needed, and to develop a plan to reach that target.

Committee Member comments regarding budget reserves:

- Spending on capital improvement projects is a type of reserve; it is an asset that the City holds.
- Recommend 50% of the surplus to go into reserves, and have a reserve that is 50% of gross revenue.
- The City should have a balance of 50% gross revenues in reserves for events of risk as well as events of opportunity.
- Support the goal of 1% of general fund revenues dedicated to rebuilding reserves.
- There should not be a fixed amount in the Charter; Council should be able to establish how they would like to accomplish this goal.
- The 1% of general fund revenues is too low.
- The more reserves the City has the more effectively it can spend and borrow because it will not owe as much interest.



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- Need to decide the amount of reserve, a minimum reserve amount and what the reserves can be used for.
- If included in the Charter, need to do an analysis on the amount and the monies it can be used for.
- Support language in Charter, a base minimum level.
- The more money the government takes and saves, the more money it takes out of the economy.

Legal Counsel Summerhill stated that a trigger or mechanism is needed so that a large amount of money is not in reserves that cannot be utilized.

Finance Director Dunivent suggested setting a goal; the goal would be an amount developed by a study of what the City would need in order to handle an economic downturn.

Legal Counsel Summerhill also suggested that if the Committee Members decide to put budget reserve language in the Charter they should still allow the City flexibility.

**Poll:** (5 Ayes, 3 Noes, 4 Address in Preamble): Do budget reserves need to be addressed in the Charter?

Ayes: Committee Members: Amburgey, Fancher, Hutchins, Panian, and Ramos.

Noes: Committee Members: O'Connell, Tobin, and Weitzberg.

Address in Preamble: Committee Members: Eckles, Graham, Pollitt, and Smith.

Absent: Committee Member McCarthy.

Discussion continued regarding budget reserves:

- Need to establish a reserve target and let the Council decide what to do once that target is met.
- Have target goals, a plan to reach the goals, and how to stop contributing.
- Other cities do not address in their Charter; no need to put in the Charter.
- Best to have good leadership in this area and not codify an actual amount.
- There has been poor leadership which is why the terms need to be codified.
- Good leadership and good elected officials should have the flexibility and authority to do the way that they see fit.

Legal Counsel Summerhill stated that if language is included in the Charter it needs to be specific.

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- Everyone should send in their one statement, allow for Legal Counsel to vet the language and bring it back for the Committee to vote on at the January 8, 2014 Charter Meeting.
- If the Committee Members have their language tonight, than they should share it with Legal Counsel.
- In addition to restoring the reserve there should be an allocated 50% of any surplus each year going towards the reserve.
- There should be no restrictions on the reserve, it should remain flexible where funds can be added or removed.
- Should have 50% of gross revenue as base level.
- The Council should evaluate the exposure and opportunity every five years and then determine what the reserve should be.
- It is not a good idea to tie the reserves to numbers or to handcuff the Council and City by not allowing the freedom to use funds when they are needed.
- Be careful that there is not too much money in reserves and have a community that is falling apart because no one can spend the money that was put into the reserves.
- The City of Costa Mesa should establish reserve funds to be determined by the City Council by ordinance or resolution.
- When there is a surplus let the elected officials decide.

Break 7:25 – 7:35

Dr. Bauermeister read the following from the agenda report 8B-1 for consideration by the Committee: In lieu of a Charter provision, the City Council can increase the emergency reserves set forth in the General Fund Operative Reserve or adopt a policy or ordinance governing non-emergency reserves.

- One of the mechanisms to building the reserves should be to allocate 50% of the surplus to go into the reserve fund.
- Consider a four step process for reserves:
  - a. Reserve requirement
  - b. How do you get there (50% of surplus)
  - c. No less than 1%
  - d. Trigger to spend (unforeseen circumstances) with a super majority vote.
- The wording must be carefully written as there may be good intentions but if not carefully worded it could hurt the City.

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- Reserves do not need to be in the Charter, it serves no purpose.
- Reserves need to be in the Charter so it cannot be changed by an ordinance. It will allow the people of the City to be aware of what is being done.
- What is included in the Charter needs to be specific, or else do not add.
- The Charter should not determine how City Council spends the monies.
- The City/citizens need adequate protection from overspending, more than an ordinance.
- Specific language in Charter would force the City to cut when times are tight and grow when times are good. The Council cannot run through reserves; be true to revenues.

**MOTION/SECOND:** Committee Member Pollitt/Committee Member O'Connell

Agendize the issue regarding budget reserves for the January 8, 2014 meeting and for Committee Members to send in suggested language.

### **GOVERNANCE: COMPENSATION OF COUNCIL MEMBERS AND BENEFITS**

Dr. Bauermeister read the following from the 8C-1 agenda report: "Staff recommends that the City continue to provide health and welfare benefits to all City Council members since the amount of time individual members spend serving the City varies greatly and tracking individual members hours to ensure he or she would not be considered full-time is extremely difficult to track.

In conclusion, the Charter Committee may eliminate retirement benefits for future City Council Members. However, the elimination of health and welfare benefits is questionable under the Affordable Care Act since the time individual Council Members spend in performing his or her duties on behalf of the City may trigger eligibility. Thus, staff recommends that if the Charter Committee wishes to modify City Council compensation, the elimination of benefits be limited to retirement benefits. "

Committee Member comments regarding City Council compensation:

- Council Members should not receive health care benefits.
- A Council Member is not an employee, they serve the community.

Committee Member Pollitt proposed that Council Members compensation shall not be in the Charter.

**Consensus:** (6 Ayes, 6 Noes): Council Member compensation shall not be in the Charter.

Ayes: Committee Members: Amburgey, Eckles, Fancher, Panian, Pollitt, and Tobin.

Noes: Committee Members: Graham, Hutchins, O'Connell, Ramos, Smith, and Weitzberg.

Absent: Committee Member McCarthy.



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Committee Member comments regarding City Council compensation continued:

- Propose that the Council shall receive a stipend and health benefits, but no pension.
- At the November 13, 2013 Charter Meeting the Committee approved no pensions for future Council Members.
- Propose a fixed amount to which any health care benefits will be deducted.
- The stipend should be limited to a percentage.
- The Council should be compensated 50% of the average wage of Costa Mesa residents.
- Propose \$3,000 a month to be adjusted according to inflation every five years.
- The net value compensation of Council Members shall be published annually.
- Each Council Member should get a fixed amount of salary and any other benefits that they receive shall be deducted from their salary.
- Use general law guidelines for salary of Council Members.

Item to be reconsidered at the January 8, 2014 Meeting.

**UNFUNDED PENSION LIABILITY**

The Committee will delay discussing this issue until receipt of report from the Pension Oversight Committee.

For the January 8, 2014 Meeting items to be discussed:

- Tax inequity information
- New timeline
- Compensation-median numbers
- Other cities benefits

For the January 8, 2014 Meeting Committee Members are requested to send in information regarding:

- Property tax inequity
- Reserves
- Compensation
- City of Bell
- Quality of life

**9. INFORMATION REQUESTS**

**DRAFT****10. AGENDA BUILDING FOR December 11, 2013**

Consensus of the Committee for the following topics to be on the January 8, 2014 agenda: Call to Order; Pledge of Allegiance; Moment of Silence; Welcome; Public Comments; Review of Minutes; Meeting Summary; Charter Issue: Governance: Compensation of Council Members and Benefits; Financial: Budget reserves and Property tax equity; Unfunded Pension Liability; Communications received from Committee Members; Information Requests; Committee Member Comments and Adjourn.

**11. COMMITTEE MEMBER COMMENTS**

Committee Member Eckles praised the Committee.

Committee Member Pollitt commented that the Mesa Water District will be voting on a 15% increase in water rates.

Committee Member Graham praised the Committee and stated the Charter Committee is not just a rubber stamp for the City Council.

Committee Member Hutchins thanked Legal Counsel Summerhill and Finance Director Dunivent for their expertise.

Committee Member Panian wished everyone happy holidays.

Committee Member Amburgey commented that if the Charter included tax savings for citizens and reduced Council Members pay the Charter may be more favorable to the citizens.

Committee Member Tobin thanked Finance Director Dunivent for his expertise and knowledge.

Committee Member Ramos commented that the Committee Members time commitment is valuable and that all the Committee Members are representatives of the City.

Committee Member Weitzberg thanked Finance Director Dunivent and he stated his appreciation for the intelligent dialogue throughout the meetings.

Committee Member O'Connell commented that the Committee is more than a rubber stamp and that there is no particular ideology within the Committee.

**12. ADJOURNMENT at 8:55 P.M.**